



SECTION I

BUDGET MESSAGE



A Resident's Guide to the Budget

Welcome! If you are reading this it means you are interested in better understanding one of the most important documents produced by your community. The Annual Budget & Financial Plan document is much more than just a collection of numbers; it is a reflection of our community's values, priorities, and goals. The Budget document serves as a policy document, a financial guide, and a communications device to its residents. To this end, it is designed to be as user-friendly as possible. This Annual Budget & Financial Plan was created to help orient readers by providing a brief overview of the budget process, as well as an explanation of the organization of the budget document itself. We hope you find the introductory guide a useful tool as you better acquaint yourself with the latest financial and planning information for the Town of Arlington.

THE BUDGET PROCESS

The Town of Arlington is governed by the "Town Manager Act of the Town of Arlington, Massachusetts," by which a popularly elected, five-member Select Board appoints a professional manager to administer the daily operation of the Town. The Town's legislative body is a representative Town Meeting, which consists of 252 members elected from their home precincts. There are 21 precincts in Arlington. The Town Manager is the chief executive officer of the Town, managing the day-to-day business of Town departments.

In accordance with Section 32 of the Town Manager Act, the Town Manager must annually submit a budget to the Select Board and Finance Committee. Arlington has had a long tradition of developing a budget that clearly defines departmental goals and objectives and includes detailed trend analysis and long-term projections. The annual operating and capital budgets are submitted as part of the Town Manager's Annual Budget & Financial Plan. The Finance Committee reviews the Annual Budget January through April when the Committee submits its recommendations to Town Meeting. Town Meeting then adopts both the operating and capital budgets in May. During the fiscal year, budgetary transfers may be made with the approval of both the Select Board and the Finance Committee. Amendments to appropriations must be made by Town Meeting.

It is important to note that the financial and budgetary information presented in the Annual Budget & Financial Plan are projections and are subject to change prior to Town Meeting. For definitions of terms used in the Annual Budget & Financial Plan, see the Glossary at the end of this document.

For past budgets and plans, plus additional financial documents please visit arlingtonma.gov/financial.

BUDGET CALENDAR

July

Fiscal Year begins July 1st

September

Capital Budget requests due to Town Manager

October

Long-Range Plan Updated - Initial Revenue and Expenditure Forecast

November

Operating Budget requests due to Town Manager

January

Budget books distributed to Select Board and Finance Committee by January 15th

January/April

Finance Committee hearings on budget

March

Financial Plan distributed to Select Board and Finance Committee

April

Finance Committee recommended budget submitted to Town Meeting

May

Town Meeting adopts *Operating and Capital Budgets*

June

Fiscal Year ends June 30th



Community Profile

Name: Town of Arlington

Settled: 1635 (as Village of Menotomy)

Incorporated: 1807 (as West Cambridge) Renamed Arlington in 1867

Total Area: 5.5 Sq. Miles

Land: 5.2 Sq. Miles

Water: 0.3 Sq. Miles

Elevation: 46 Feet

Public Roads: 95.27 Miles

County: Middlesex

Population: 46,308 (2020 Census)

Form of Government: Representative Town Meeting

School Structure: K-12

FY2023 Average Single Family Tax Rate: \$11.21 per \$1,000

FY2023 Ave. Single Family Home Value: \$912,386

Coordinates: 42°24'55"N 71°09'25"W

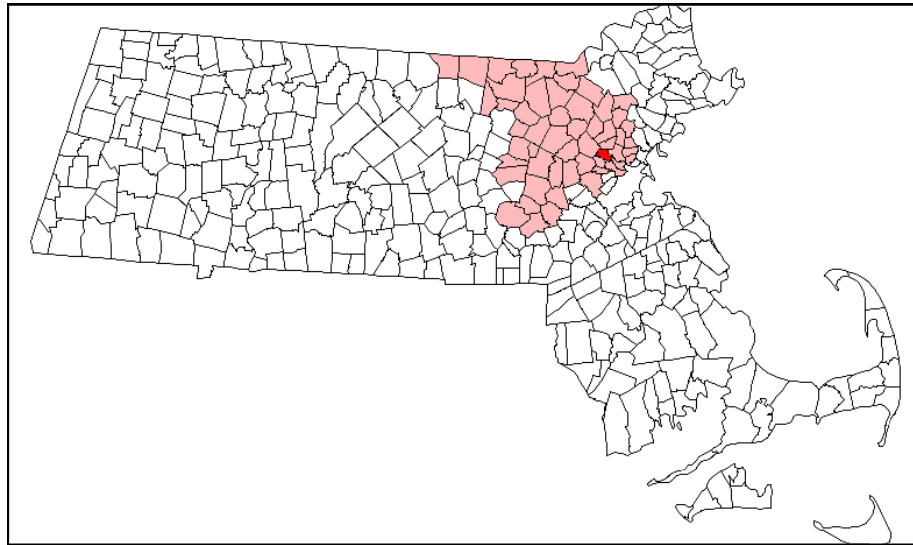
Address:

Arlington Town Hall
730 Massachusetts Avenue
Arlington, MA 02476
Phone: (781) 316-3000
www.arlingtonma.gov

The Town of Arlington is located six miles northwest of Boston and is home to over 46,000 residents living in a compact urban community of 5.5 square miles. Because of its proximity to Boston, Arlington residents are able to enjoy its diverse neighborhoods, active civic life, and good public transportation options. Arlington is more affordable than many of its neighbors and thereby attracts residents who value its geographic location and quality-of-life.

The Town of Arlington was originally settled in 1635 as a village named Menotomy, meaning "swift running water." In 1807, the name was changed to West Cambridge and renamed Arlington in 1867 in honor of the Civil War heroes buried in Arlington National Cemetery.

Arlington, which offers a diverse mix of residential settings and popular retail and entertainment options, has steadily evolved from a working-class community to a more affluent suburban town. Residents have a lot invested in the Town and come to expect excellent municipal services for a reasonable tax bill. The community has a strong history of supporting specific initiatives to improve the quality of these services. This support is evidenced by recent tax override initiatives to upgrade all the school facilities, and to maintain quality services.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Town of Arlington
Massachusetts**

For the Fiscal Year Beginning

July 01, 2022

Christopher P. Morill
Executive Director



Fiscal Year 2024 Annual Budget & Financial Plan Budget Message

March 23, 2023

To: The Honorable Select Board and Finance Committee

I hereby transmit to you the recommended FY2024 operating and capital budgets and the FY2024-2028 capital plan. The General Fund budget as proposed totals \$205,700,537 which is an increase of \$7,948,013 (4.02%) from the current budget. A summary showing a comparison of the FY2023 and FY2024 revenues and expenditures is shown on page 7. Also, this budget proposal will be made available via the Town's online budget tool, Arlington Visual Budget. It can be viewed at arlingtonvisualbudget.org.

The FY2024 budget is built on a foundation that is both stable and potentially volatile. Property taxes remain a stable source of revenue and make up three quarters of the Town's budget. As the largest source of revenue, property taxes increase steadily each year, but that revenue growth is limited by Proposition 2½ and is insufficient to keep up with rising costs. It is because of this structural deficit between limited property tax revenue increases and steadily increasing costs for essential services that that Town has periodically asked voters to approve Proposition 2½ operating overrides. The volatility in the revenue picture stems from two factors; the ongoing impact of the COVID-19 pandemic and anticipated changes in State Aid. The COVID-19 pandemic reduced local revenue for several years in areas such as Motor Vehicle Excise Tax receipts, meals and hotel taxes, and some fees. These sources have slowly been returning to their former levels, but some still lag their previous highs. To replace that lost revenue, the Town has used \$5 million in American Rescue Plan Act (ARPA) funds in the FY2023 and FY2024 budgets. Based on the Governor's budget, State Aid will see modest increases, mostly in education funding.

The framework for Arlington's long range financial planning remains intact. FY2023, the current fiscal year, is the fourth year of a four-year plan that incorporated the Proposition 2 ½ override of 2019 designed to carry the Town's budgets through FY2023. The Select Board adopted a set of commitments which served as the basis for the \$5,500,000 operating override that was successfully passed via a Town-wide ballot measure on June 11, 2019. The Board's commitments and the status of fulfilling them are as follows:

1) Exercise fiscal discipline, and provide quality municipal services.

- a. Commit to no Proposition 2½ overrides for at least four years. – **This budget submission maintains this commitment.**
- b. Continue to increase general education operating budgets by 3.5% annually. – **This commitment is maintained.**
- c. Continue to increase general government operating budgets by 3.25% annually. – **This commitment is maintained.**
- d. Continue to fund special education cost growth at a rate of 7% per year. – **This commitment is maintained.**



- 2) Respond to ongoing school enrollment growth pressures. Increase the education budget for future enrollment increases at a rate of 50% of per pupil expenditures. – **This commitment is maintained. Changes in enrollment are discussed on page 6.**
- 3) Build Arlington's future.
- a. Phase in funding of the School Committee's Multi-Year Plan to: address the impact of explosive enrollment growth of 26% since 2011 through 2019, [making Arlington one of the fastest growing school districts in the State]; improve instruction; close the achievement gap for high needs students; ensure safe and supportive schools; and attract, retain, and develop talented staff. Adopt the following schedule of increases to base operating budgets: FY20 - \$600,000; FY21 - \$600,000; FY22 - \$800,000; FY23 - \$800,000. – **This commitment is maintained, but the schedule of funding has changed due to the economic impacts of the pandemic. This new schedule is described on page 6.**
 - b. Improve mobility for all residents and support the goals of the Town's Complete Streets and Age-Friendly Community initiatives by adding \$250,000 to the base budget for pedestrian infrastructure -- including sidewalk brick removal and repair -- and senior transportation, such investments to be guided by the Town's sustainable mobility planning efforts. – **This commitment is maintained, with \$200,000 for mobility improvements being included in the capital budget and \$50,000 in funding included in the Council on Aging Transportation Enterprise Fund.**
- 4) Minimize impact on taxpayers, particularly seniors and others with income challenges.
- a. Advance new tax relief programs, including a municipal circuit breaker and increased eligibility for property tax deferral options, and publicize existing relief programs. – **A new tax deferral program is in place with higher eligibility criteria to allow residents greater access to the program.**
 - b. Remove certain water and sewer debt costs from property tax bills. – **The Select Board's reduction of the MWRA Debt Shift in coordination with the issuance of debt related to the Arlington High School Project is complete and no longer in the Town budget.**
 - c. Pursue new revenue sources. – **This commitment is fulfilled on a year over year basis.**
 - d. Work with financial leadership to develop bonding schedules that will minimize single-year tax increases and debt service costs related to the Arlington High School rebuild. – **This commitment is being maintained by the Town's Finance Department.**
- 5) Protect against future fiscal shocks and maintain the Town's strong bond rating. Maintain financial reserves at 5% or better for the duration of the four-year plan. – **This commitment is maintained.**

Beyond the investments outlined above, the FY2024 budget proposal is a level service budget that maintains core municipal services (Police, Fire, DPW, Town Hall, Library, and Human Services) at current levels. Targeted investments have been made to address community needs and the details of those changes are discussed below.



School Department Funding

Since the outset of the pandemic, Arlington, like many school districts, has seen a significant drop from pre-pandemic levels of student enrollment. For FY2023, the Town reduced the School Enrollment Growth Factor to account for an enrollment drop of 189 students. In FY2024 enrollment is projected to increase by 108 students resulting in a Student Enrollment Growth Factor of \$964,116, an increase of \$2,343,816 from FY2023. Additionally, the FY2024 budget proposal recognizes the need for a second year of COVID-related mitigation within the school district budget and proposes funding these services in the amount of \$600,000. The table below outlines the School Department funding recommendation:

	FY2023	FY2024	\$ Increase	% Increase
General Education	\$55,724,058	\$57,312,461	\$1,588,403	2.85%
Special Education	\$28,103,511	\$30,070,757	\$1,967,246	7.00%
Strategic Plan Implementation	\$1,030,000	\$0	(\$1,030,000)	(100.00%)
Enrollment Reset	(\$1,379,700)	\$964,116	\$2,343,816	-
One Time COVID Impact	\$970,000	\$600,000	(\$370,000)	(38.40%)
Total	\$84,447,869	\$88,947,334	\$4,499,465	5.33%

This budget represents the projected FY2024 Budget as proposed at Annual Town Meeting and differs slightly from the budget transmitted to the select board on January 15th.



Overall General Fund Budget Summary

	FY2021 Actual	FY2022 Actual	FY2023 Budget	FY2024 Budget	Change \$	%
Revenue						
Property Tax	\$ 138,199,500	\$ 142,948,226	\$ 149,169,849	\$ 153,571,408	\$ 4,401,559	2.95%
Local Receipts	\$ 9,708,615	\$ 14,361,111	\$ 9,225,900	\$ 9,855,994	\$ 630,094	6.83%
State Aid	\$ 23,136,038	\$ 23,529,766	\$ 25,221,523	\$ 28,125,135	\$ 2,903,612	11.51%
School Construction Aid in FY21, APRA in FY23+FY24	\$ 476,523	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -	0.00%
Free Cash	\$ 5,901,388	\$ 5,659,184	\$ 5,539,215	\$ 7,956,044	\$ 2,416,829	43.63%
Other Funds	\$ 400,000	\$ 650,000	\$ 650,000	\$ 600,000	\$ (50,000)	-7.69%
Override Stabilization Fund	\$ 2,024,197	\$ 6,248,581	\$ 2,946,037	\$ 591,956	\$ (2,354,081)	-79.91%
TOTAL TAXES, FEES, AID, AND OTHER SOURCES	\$ 179,846,261	\$ 193,396,868	\$ 197,752,524	\$ 205,700,537	\$ 7,948,013	4.02%
Transfers in (Offsets)	\$ 2,642,197	\$ 2,916,046	\$ 3,200,418	\$ 3,257,455	\$ 57,037	1.78%
TOTAL REVENUES	\$ 182,488,458	\$ 196,312,914	\$ 200,952,942	\$ 208,957,992	\$ 8,005,050	3.98%
Expenditures						
<i>Municipal Departments Appropriations</i>	\$ 37,362,952	\$ 38,793,032	\$ 43,177,153	\$ 44,627,453	\$ 1,450,300	3.36%
<i>Offsets and Indirect Costs</i>	\$ (2,642,197)	\$ (2,916,046)	\$ (3,200,418)	\$ (3,257,455)	\$ (57,037)	-1.78%
Municipal Departments (Taxation Total)	\$ 34,720,755	\$ 35,876,986	\$ 39,976,735	\$ 41,369,998	\$ 1,393,263	3.49%
School Department	\$ 75,570,531	\$ 80,104,634	\$ 84,447,869	\$ 88,947,334	\$ 4,499,465	5.33%
Minuteman School	\$ 6,113,371	\$ 6,795,546	\$ 7,947,939	\$ 8,940,897	\$ 992,958	12.49%
Non-Departmental (Healthcare & Pensions)	\$ 32,668,334	\$ 34,655,668	\$ 35,140,146	\$ 36,211,557	\$ 1,071,411	3.05%
Capital (Includes Debt Service)	\$ 16,253,328	\$ 18,303,789	\$ 21,949,893	\$ 22,380,767	\$ 430,874	1.96%
MWRA Debt Shift	\$ 3,691,454	\$ 1,845,727	\$ -	\$ -	\$ -	0.00%
Warrant Articles	\$ 956,619	\$ 950,085	\$ 1,310,188	\$ 1,262,235	\$ (47,953)	-3.66%
Reserve Fund	\$ 1,556,724	\$ 1,720,145	\$ 1,753,178	\$ 1,900,782	\$ 147,604	8.42%
Override Stabilization Fund Deposit	\$ -	\$ 1,094,055	\$ -	\$ -	\$ -	-
TOTAL EXPENDITURES	\$ 171,531,116	\$ 181,346,634	\$ 192,525,948	\$ 201,013,570	\$ 8,487,622	4.41%
Non-Appropriated Expenses	\$ 5,188,666	\$ 5,053,518	\$ 5,226,576	\$ 4,686,967	\$ (539,609)	-10.32%
Surplus / (Deficit)	\$ 3,126,480	\$ 6,996,716	\$ -	\$ -	\$ -	0.00%



Departmental Budgets

Departmental budgets have been held to a net 3.25% increase in accordance with the Long Range Plan. The Town municipal budget increase is a net of personnel and expense budget increases, minus offsets from various sources. In FY2024, there is a onetime adjustment to the municipal budget because of a change to how the Town collects ambulance service revenue. Previously, much of the ambulance revenue went to the Ambulance Revolving Fund, part of which was used as an offset to the municipal budget, paying for the salaries and benefits of two firefighters and some related equipment. Now ambulance revenue flows primarily to the General Fund, thereby substantially reducing the offset. To make up for that change, I propose reducing the offset figure and increasing the General Fund figure used for the Fire Department budget for a onetime increase of the overall municipal budget of 3.5%. The primary investments in this budget relate to recycling/solid waste collection, shifting building costs to the Facilities Department and increasing the budget for the new DPW buildings, and implementation of collective bargaining agreements. No new general fund positions have been added in this budget recommendation (see personnel chart on page 6), though several small increases in existing staff hours have increased personnel by .6 FTE. This chart also shows the number of full-time equivalent (FTE) positions that are funded by grants, American Rescue Plan Act (ARPA) funds, and other federal funding. The personnel chart also shows an increase of four people in the Enterprise funds, one in Recreation and the Ed Burns Arena (Rink) and three in the Arlington Youth Counseling Center (AYCC).

DPW - An increase of \$122,761 for the second year of a new, three-year, recycling/solid waste hauling contract between the Town and Republic Waste Service. Last year, Republic Waste Service bought JRM and took over collection of trash, recycling, and yard waste.

Facilities - An increase of \$222,416 for utility, maintenance, and repair costs for the Community Center, 23 Maple St., and the Jefferson Cutter House building and the new DPW buildings that house the Inspections and Information Technology Departments on Grove St.

Police, IT, Library - An increase of \$25,000 for bullet proof vests and \$62,000 for computer licenses + fees. After consultation with the Capital Planning Committee, the decision was made to bring these annual expenses into the operating budget from the capital plan.

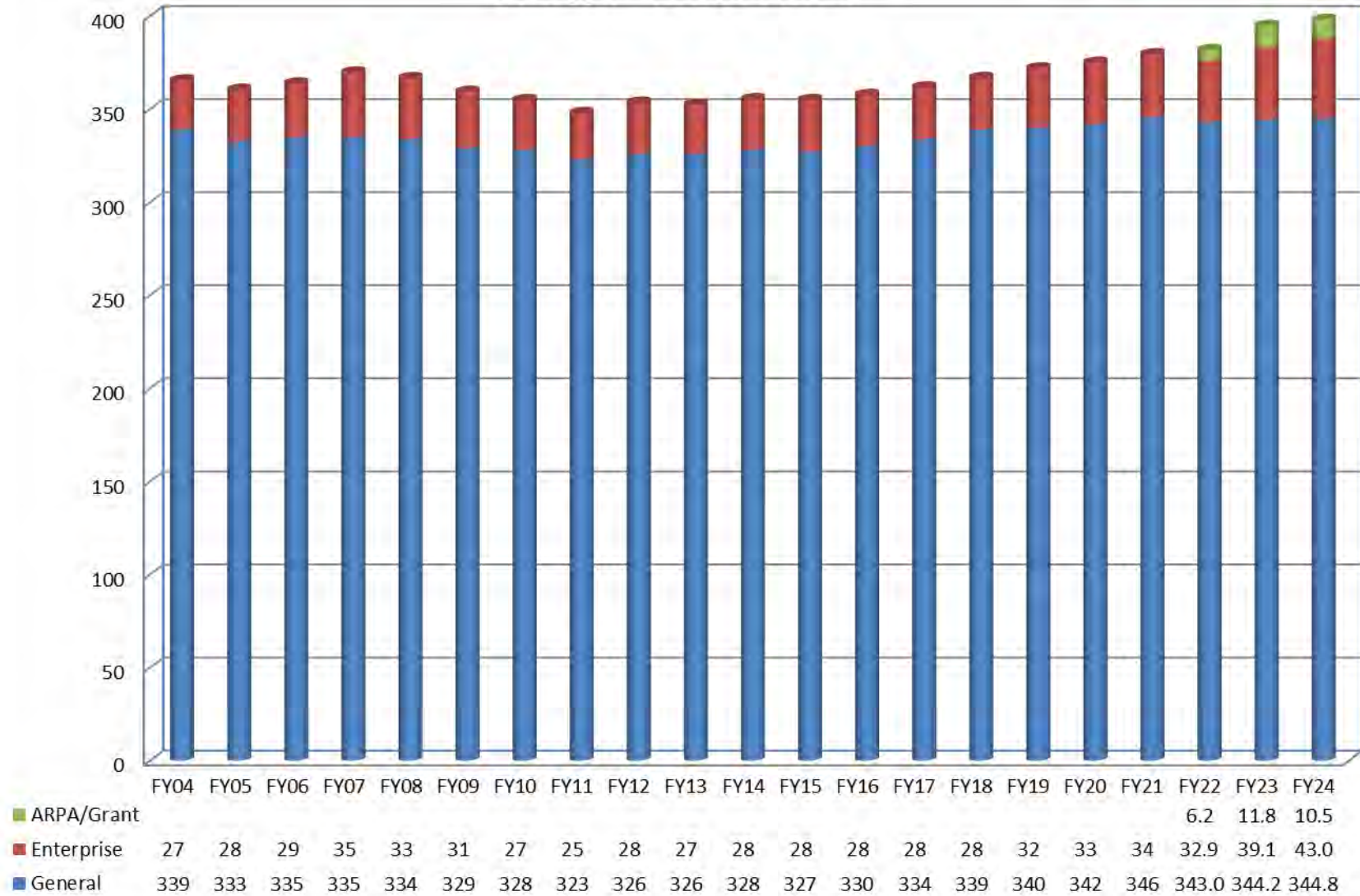
American Rescue Plan Act Funding

The Town is receiving \$35,247,893 in funding from the American Rescue Plan Act (ARPA). These funds have been programmed in a framework endorsed by the Select Board. The Town will use \$10,000,000 of these funds to offset revenue losses experienced during the pandemic. The Town also plans to use a modest portion of the overall ARPA allocation to fund staff positions that are eligible under ARPA rules. These positions will expire at the conclusion of the ARPA grant period. These positions total \$357,092 and are as follows:

Department + Position	Amount	Department + Position	Amount
<u>Town Manager</u>		<u>Diversity, Equity & Inclusion Division</u>	
Communications Coordinator (1.0 FTE)	\$61,169	Community Outreach Coordinator (1.0 FTE)	\$65,962
<u>Health Division</u>		<u>Arlington Youth Counseling Center</u>	
Public Health Nurse (.61 FTE)	\$55,967	Psychiatrist (.23 FTE)	\$19,809
Health Compliance Officer (1.0 FTE)	\$74,185	Hourly Mental Health Clinicians	\$80,000



Town Personnel Trends FY 2004 - FY2024 FTEs





Healthcare/Other Post-Employment Benefits (OPEB)

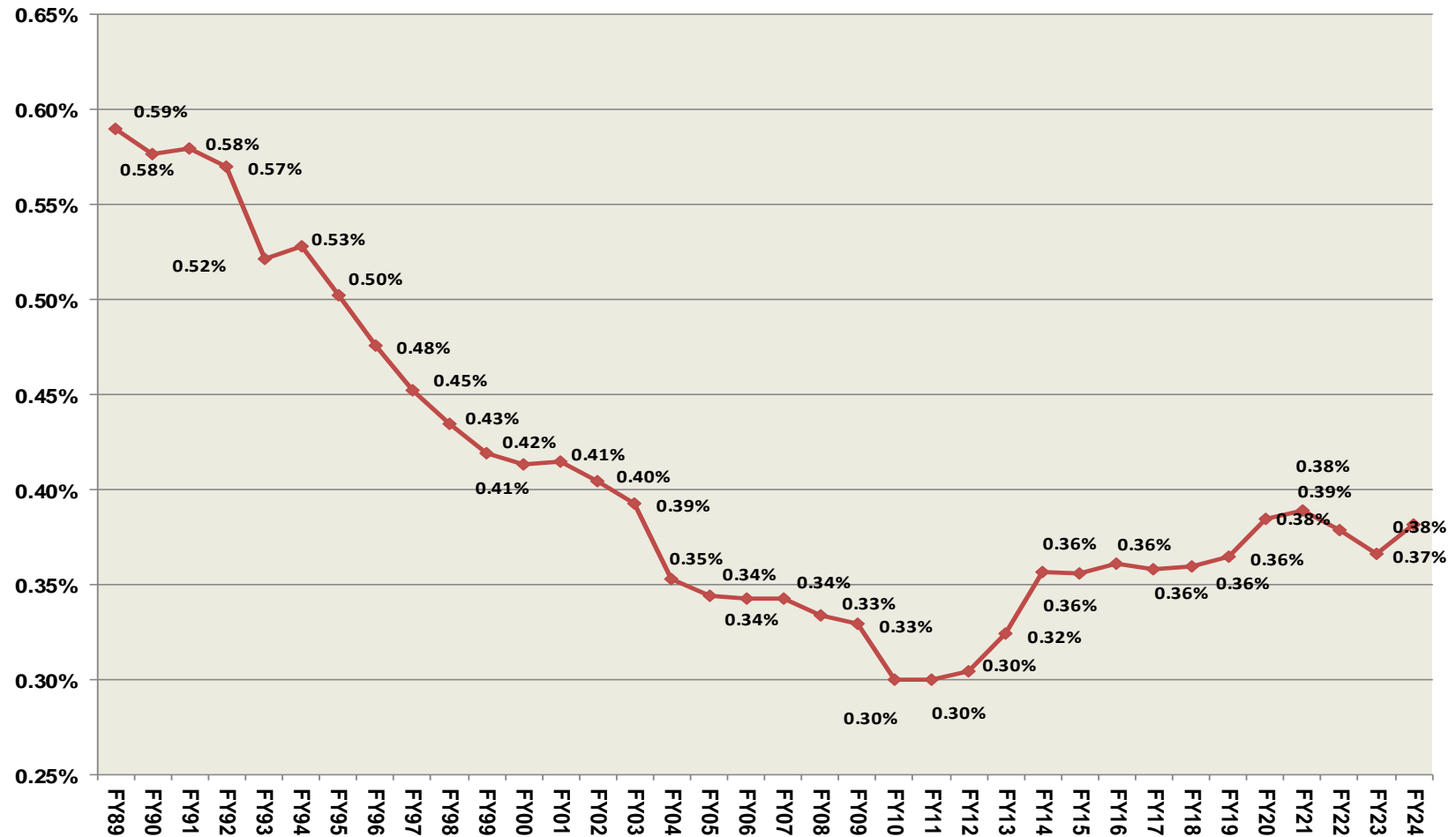
Healthcare spending is slated to increase 1.35% in the FY2024 budget. This includes offsets which reduce the town appropriation by approximately \$105,503.

In FY2024, the Town will once again ask for a direct appropriation from the Health Claims Trust Fund into the Town's OPEB Trust Fund. The Town's portion of the Health Claims Trust Fund has an approximate balance of \$1,760,263. The FY2024 recommendation to fund OPEB with \$300,000 from the Health Claims Trust Fund is the eleventh year in what is a recommendation to adopt this practice for a ten-year period or until the Health Claims Trust Fund is exhausted. This \$300,000 contribution is in addition to the \$655,000 amount otherwise earmarked for appropriation into the OPEB Trust Fund, bringing the total proposed appropriation for FY2024 to \$955,000. The table below provides information regarding the Town's OPEB Trust Fund and OPEB liability.

Town of Arlington OPEB Liability - As of June 30				
Year	Total Liability	Total Assets	Net Liability	Percent Funded
2020	\$252,494,363	\$15,865,946	\$236,628,417	6.3%
2021	\$264,518,341	\$21,268,077	\$243,250,264	8.0%
2022	\$210,380,832	\$19,078,429	\$191,302,403	9.1%



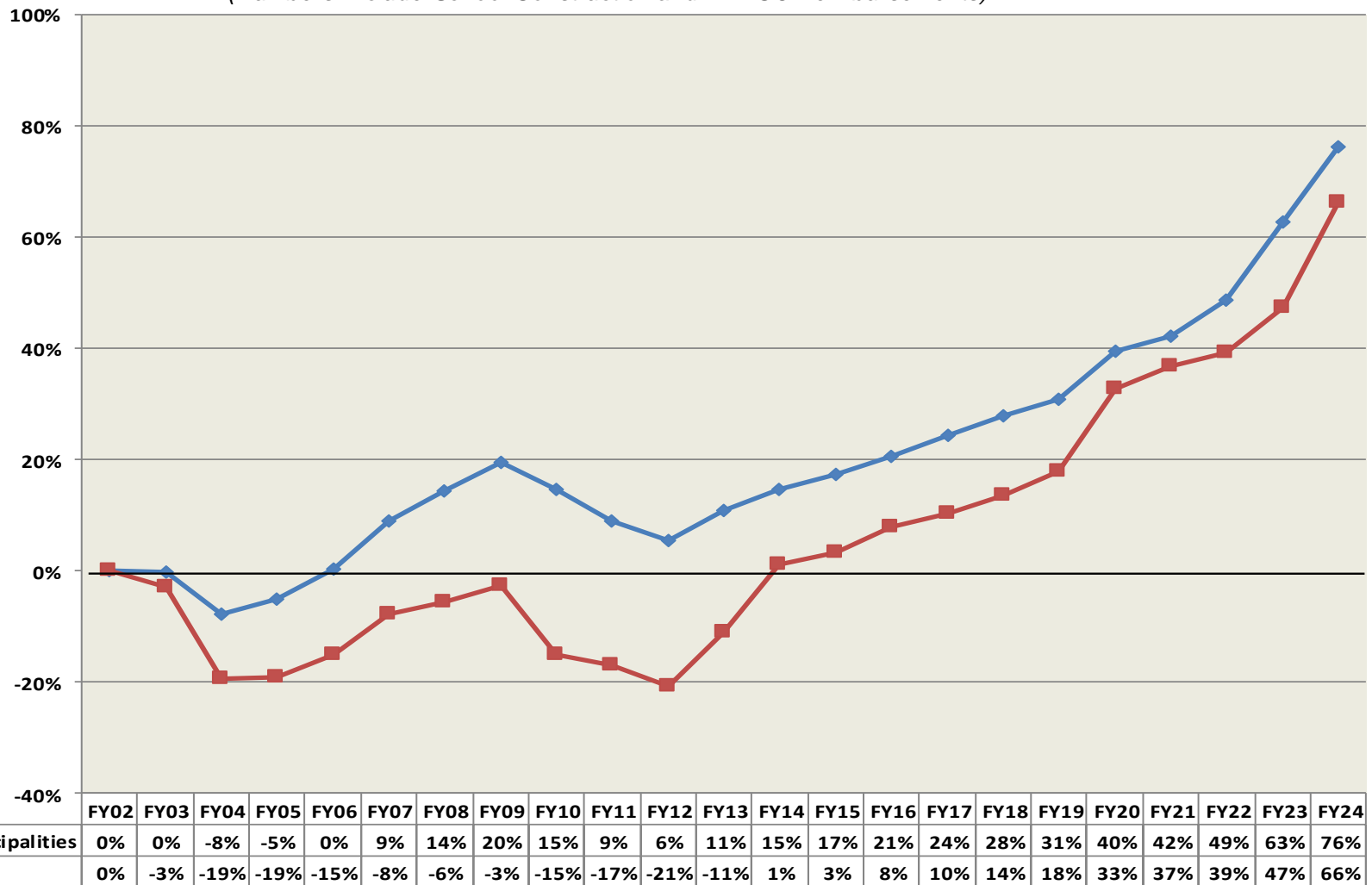
Arlington's Percent of Total State Aid





State Aid Cumulative Year-to-Year Percent Change Since Fiscal Year 2002

(Numbers Exclude School Construction and METCO Reimbursements)





Comparative Data

The FY2024 Annual Budget & Financial Plan includes a set of comparable communities that includes Belmont, Brookline, Medford, Melrose, Milton, Natick, Needham, North Andover, Reading, Stoneham, Watertown, and Winchester. These communities were selected by Town, School, and Union leadership. These communities were identified based on a number of factors including; population, 5 year average municipal growth factor, population per square mile, median income per capita, median income per household, single family median home value, average family tax bill, total tax levy, excess capacity as a percentage of maximum levy, and residential valuation as a percentage of the total tax levy.

There are a number of factors that contribute to Arlington's structural deficit – some common among all municipalities and some unique to Arlington. Some factors particular to Arlington include the fact that Arlington is a densely populated, fully built-out community (see Tables 1 and 2 on page 14). Revenue from growth in the tax base ranks 13 among a group of 13 comparable communities (see Table 3), and remains under the state-wide average. Another indicator of the Town's ability and opportunity to raise revenue is a measure developed by the Department of Revenue called Municipal Revenue Growth Factor (MRGF). It measures a community's ability to raise revenue, taking into consideration a community's tax levy limit, new growth, state aid, and local receipts. As one can see from Table 4, the state-wide average and average of the twelve other comparable communities' MRGF is 4.09 and 4.18 respectively. Arlington's is 3.87, below the comparable communities' and state averages.

Another factor affecting the Town's financial structure is its tax base. The Town's tax base is nearly all residential - the commercial/industrial sector makes up slightly less than 6% of the total. Table 5 shows that Arlington's commercial/industrial tax base ranks 11th out of 13 comparable communities. The average of these communities is 15.75%, almost three times that of Arlington. This affects not only the Town's ability to raise revenue, it places a heavier tax burden on the residential sector as there is almost no commercial/industrial sector with which to share the tax burden. Notwithstanding this, the tax burden, when measured several different ways, is below the average of the 13 comparable communities. In fact, the Town ranks 9th in taxes per capita (Table 6), and 5th in taxes per household as a percent of median household income (Table 7), both below the averages of the other 12 comparable communities.

A look at how the Town's spending levels impact the Town's financial position shows that the Town's spending per capita is well below the state average and the average of the 13 comparable communities. Arlington ranks 8th out of 13 comparable communities in overall expenditures per capita (see Table 8). The per capita spending average of the other comparable communities is approximately 9% greater than Arlington.

With spending below average for comparable communities, and with revenue growth opportunities below the statewide and comparable communities average, it is clear that the structural problem with the Town's finances lies with the revenue side of the equation as opposed to the spending side.



Table 1		Table 2		Table 3		Table 4	
Municipality	Pop Per Square Mile	Municipality	Housing Units Per Sq Mile	Municipality	New Growth Avg. '19-'21	Municipality	FY2023 Municipal Revenue Growth Factor
1 BROOKLINE	9,293	1 BROOKLINE	3,918	1 WATERTOWN	3.70%	1 BELMONT	7.01
2 ARLINGTON	8,858	2 WATERTOWN	3,906	2 NEEDHAM	3.17%	2 WATERTOWN	5.68
3 WATERTOWN	8,809	3 ARLINGTON	3,878	3 NATICK	1.72%	3 NEEDHAM	4.95
4 MEDFORD	7,666	4 MEDFORD	2,969	4 BROOKLINE	1.41%	4 BROOKLINE	4.62
5 MELROSE	6,263	5 MELROSE	2,511	5 MEDFORD	1.35%	5 ARLINGTON	3.87
6 BELMONT	5,772	6 BELMONT	2,190	6 BELMONT	1.19%	6 MELROSE	3.85
7 STONEHAM	3,800	7 STONEHAM	1,571	7 READING	1.19%	7 MILTON	3.81
8 WINCHESTER	3,758	8 WINCHESTER	1,324	8 NORTH ANDOVER	1.17%	8 MEDFORD	3.51
9 NEEDHAM	2,608	9 READING	967	9 WINCHESTER	1.15%	9 READING	3.42
10 READING	2,535	10 NATICK	945	10 MILTON	1.14%	10 NORTH ANDOVER	3.40
11 NATICK	2,437	11 NEEDHAM	905	11 STONEHAM	1.11%	11 NATICK	3.34
12 MILTON	2,182	12 MILTON	746	12 MELROSE	0.95%	12 STONEHAM	3.33
13 NORTH ANDOVER	1,167	13 NORTH ANDOVER	417	13 ARLINGTON	0.69%	13 WINCHESTER	3.20
Ave w/o Arlington	4,691	Ave w/o Arlington	1,864	Ave w/o Arlington	1.60%	Ave w/o Arlington	4.18
Arlington	8,858	Arlington	3,878	Arlington	0.69%	Arlington	3.87
				State-Wide Ave	1.57%	State-Wide Ave	4.09



Table 5		Table 6		Table 7		Table 8	
FY2021 Commercial/ Industrial/ Personal % of Total Tax Levy		FY2020 Taxes Per Cap		FY2022 Taxes/ Household as % of 2020 median income		FY2022 Total Exp Per Cap	
Municipality		Municipality		Municipality		Municipality	
1 WATERTOWN	39.05%	1 NEEDHAM	\$5,582	1 BROOKLINE	17.4%	1 NEEDHAM	\$6,403
2 NEEDHAM	21.89%	2 WINCHESTER	\$5,098	2 BELMONT	10.9%	2 WINCHESTER	\$6,101
3 NORTH ANDOVER	21.68%	3 BROOKLINE	\$4,486	3 WINCHESTER	8.7%	3 BROOKLINE	\$5,521
4 NATICK	18.48%	4 BELMONT	\$4,341	4 MILTON	8.7%	4 BELMONT	\$5,184
5 MEDFORD	17.95%	5 WATERTOWN	\$4,098	5 ARLINGTON	8.1%	5 WATERTOWN	\$4,809
6 STONEHAM	17.27%	6 NATICK	\$3,710	6 NEEDHAM	8.0%	6 NATICK	\$4,617
7 BROOKLINE	16.51%	7 READING	\$3,379	7 NATICK	7.8%	7 READING	\$4,317
8 MELROSE	8.39%	8 MILTON	\$3,336	8 WATERTOWN	7.4%	8 ARLINGTON	\$4,154
9 READING	6.96%	9 ARLINGTON	\$3,270	9 NORTH ANDOVER	7.0%	9 MILTON	\$4,154
10 MILTON	6.27%	10 NORTH ANDOVER	\$2,987	10 STONEHAM	6.9%	10 NORTH ANDOVER	\$3,636
11 ARLINGTON	5.47%	11 STONEHAM	\$2,785	11 READING	6.6%	11 MELROSE	\$3,635
12 BELMONT	4.82%	12 MELROSE	\$2,528	12 MELROSE	6.1%	12 STONEHAM	\$3,118
13 WINCHESTER	4.21%	13 MEDFORD	\$2,125	13 MEDFORD	5.8%	13 MEDFORD	\$2,923
Ave w/o Arlington	15.75%	Ave w/o Arlington	\$3,705	Ave w/o Arlington	8.4%	Ave w/o Arlington	\$4,535
Arlington	5.47%	Arlington	\$3,270	Arlington	8.1%	Arlington	\$4,154

**Collective Bargaining and Employee Relations**

The Town will begin collective bargaining with all unions starting in FY2024. In the current bargaining cycles (FY2022-24), the Town is in the arbitration process with the Patrol Officers union and is awaiting a request to negotiate from the Ranking Officers Association

State Aid

State aid is projected to increase by \$2,903,612 or 11.5% in FY2024. This projected increase is due to an assumption that Chapter 70 will increase by an unprecedented 17.68%, Unrestricted General Government Aid (UGGA) will increase by 2%, and other state aid accounts will remain level. This assumption will result in an increase in Chapter 70 funding of \$2,810,044 and an increase of \$175,765 in the UGGA allocation.

The Governor's budget, which was released on March 1, 2023, details how the governor hopes to distribute local aid. These numbers are subject to further deliberation by the legislature before they are finalized.

Financial Structure and Outlook

Each year, for many years, the Town has had a structural deficit whereby the growth in revenues has not kept pace with the growth in costs necessary to maintain a level service budget. The annual structural deficit is approximately \$4,000,000. As a result of being a built out (further density being the only real growth opportunity) community with limited available growth in its tax base and only recent improvement in its state aid, the Town has had to rely on periodic tax overrides to sustain service levels. Still, in the nearly 40 years of Proposition 2½, there have been only four general tax overrides (inclusive of the June 2019 override). Throughout the winter and spring of 2023, town leaders will need to review updated revenue and expense figures as they become available and will have to decide whether to recommend an override this spring or to wait until the spring of 2024.

**Capital Budget FY2024 and Capital Plan FY2024-FY2028****Capital**

The Town's capital improvements program policies call for the allocation of approximately 5% of the general fund revenues to the capital budget. This is exclusive of dedicated funding sources such as enterprise funds, grants, and proposition 2 ½ debt exclusion projects. For FY2024 funding for the capital budget is as follows:

Bonding: \$3,687,270

Cash: \$3,933,856

Other: \$5,680,000

Our existing non-exempt debt is \$7,154,944 which is consistent with prior debt service projections for FY2024. The total capital budget for FY2024, including all debt, is estimated at \$22.38 million. Along with ongoing commitments to spending on the High School and DPW projects, the Capital Plan continues to fund ongoing, recurring capital needs such as road, sidewalks, water and sewer improvements, vehicles, and information technology equipment, without taking on new major investments in FY2024. New to this year's plan are \$1.7 million of American Rescue Plan Act (ARPA) funds which are offsetting school and town HVAC projects.



Five Year Financial Plan Projection

The cornerstone of our strategic budgeting process is the long-range financial projection. Based upon analysis of internal and external factors impacting the Town's operations and finances, we have prepared the long-range projection found on page 23. These projections will, of course, have to be modified as events unfold, but we believe that they are reasonable for fiscal planning purposes.

Revenue assumptions include the following:

- **Overall revenues** are expected to increase 4.02% in FY2024. Future year increases range from -1.16% to 3.90%. In FY2025, revenue is projected to increase by 3.90%, however, by that time the Override Stabilization Fund will have been substantially depleted. It is anticipated that an operating override will be proposed to avoid the projected FY26 deficit and the resulting cuts to Town and School services.
- **Tax Levy** – The FY2024 tax levy is projected to increase by approximately 2.95%. Future year increases are projected to be between approximately 2.51% and 2.66% per year. New growth is projected at \$1,000,000 this year. Debt payments for Proposition 2½ debt exempted school projects, previously approved by Town voters, amount to approximately \$13,848,957 annually. Beginning in FY2015 property tax payments from Symmes fully covered the Symmes debt and therefore, no funds are needed to be raised on the tax rate to offset Symmes debt service.
- **State Aid** – Based on the Governor's State budget, state aid is projected to increase 11.51%. In out years, increases are projected to fall from a roughly 3.6% increase in FY2025 to 1% in the subsequent years.
- **School Construction Reimbursement** – MSBA reimbursements will be zero in FY2023.
- **Local Receipts** – Local Receipts are estimated to increase by \$630,094 in FY2024. This represents the second of two "rebound" years following a sharp decline in FY2021 resulting from the pandemic. Receipts are projected to level off with more modest increases starting in FY2025.



- **Free Cash** – FY2024 Free Cash use is \$7,956,044 which is 50% of the Town's available free cash balance. For FY2025 and in each subsequent year, \$5,107,562 is proposed to be appropriated. This is 50% of the ten year average of certified Free Cash.
- **Other Available Funds** – A transfer of \$600,000 from surplus tax abatement overlay reserve funds is proposed for FY2024. Transfers of \$400,000 from surplus tax abatement are projected for FY25 and are reduced to \$200,000 in each year of the plan thereafter.
- **Override Stabilization Fund** – For at least the first six years of the override (FY2012-FY2018) funds were deposited into the Fund, resulting in an balance of approximately \$26.5 million. In FY2024, \$591,956 will be drawn from the fund. A drawdown of \$11,448,273 million in FY2025 (which will nearly deplete the Fund) will be needed to close the budget gap. There will be a budget gap of approximately \$9.5 million in FY2026. It is important to note that these numbers are projections at this time and may vary significantly in future years.

Expenditure assumptions include the following:

- **School Budget** – Starting In FY2017, expenditures were capped at 3.5% for general education costs and 7% for special education costs. However, the FY2015 School Budget included a growth factor that is aimed to offset the expenses attributable to enrollment growth for the previous years. In future years, the growth factor is included in the following year's general education budget, which results in school budget increases ranging from 4.11% to 4.57%. The growth factor is explained in greater detail earlier in the Town Manager's Budget Message in a previous section.
- **Minuteman School** – In FY2024 the Town's Minuteman Technical Vocational Regional High School assessment will increase by \$992,958 (12.49%). This increase is due to assessments to pay for debt services for the new Minuteman High School construction project and to Arlington's share of the enrollment total. In future years, those capital assessments will continue to increase as the construction project moves forward. Also, in future years, increases for Minuteman are projected at 3.5% per year.
- **Municipal Departments** – Because of financial uncertainty caused by the COVID pandemic, expenditures for municipal departments will increase by 3.36% in FY2024. Going forward, Town expenditure increases are capped at 3.25%.



- **Capital Budget** – Capital policies call for dedicating approximately 5% of General Fund net revenues to capital spending inclusive of non-exempt debt. The Capital Budget fluctuates in future years due to the retirement of exempt debt.
 - **Exempt Debt** – This includes the actual cost of debt service for debt exclusion projects, which include most school projects, except the Ottoson and the Hardy Schools. Exempt debt, also sometimes referred to as Excluded Debt, is debt service that is added to the tax levy above the normal limits of Proposition 2 ½.
 - **Non-Exempt Debt** – This debt will fluctuate over the next several years but will average slightly more than \$6.3 million per year. Some of the recent major projects funded by non-exempt debt include the DPW Headquarters and the Community Center building.
 - **Cash** – In FY2024 \$3,933,856 in cash funded capital projects is included. This amount fluctuates in future years.
- **MWRA Debt Shift** – The amount has been funded at \$0. The Water and Sewer rates now cover all related costs, completing the Select Board policy to remove the Water/Sewer debt shift.
- **Pensions** – In FY2024 the pension appropriation will increase 5.73% and thereafter, increases 5.5% annually.
- **Insurance (including Healthcare)** – Healthcare and insurance costs are expected to increase by 1.40%. Employee premiums (GIC rates) increases and decreases varied based on the sixteen different plans offered by the GIC. In outgoing years costs are projected to increase from 5% to 6% per year depending on enrollment growth in the School Department. Favorable GIC insurance rates, plan consolidation, and new chargebacks resulted in FY24's small percentage increase.
- **State Assessments** – In FY2024, the MBTA assessment, which is the largest assessment, will increase by \$111,037 (3.46%). Overall, state assessments will increase by 1.92% and increase by 2.43% annually thereafter.
- **Offset Aid** – Assistance to Libraries increased to \$110,062 in FY24 and will remain at this level moving forward.
- **Overlay Reserve** – This reserve for tax abatements is increased in revaluation years, which occur every five years. For the revaluation year FY2025, the reserve is increased to \$800,000. In non-revaluation years it is \$600,000.



- **Reserve Fund** – The Reserve Fund is budgeted at 1% of operating revenues.
- **Other** – This includes court judgments \$100,000.
- **Warrant Articles** – Appropriations for miscellaneous warrant articles are \$1,262,235 in FY2024 and thereafter held level. It includes the Elections budget, which fluctuates by approximately \$100,000 per year depending on the number of scheduled elections.

**Conclusion**

In these difficult economic times there have been unprecedented challenges, both financial and operational. In the face of this our staff has worked tirelessly to provide high-quality services to the residents of Arlington. In this budget, every effort is being made to implement all appropriate measures that will maximize the productivity of our organization and deliver services within available resources and within the context of the pandemic. We remain committed to maintaining the high quality of life our residents expect and deserve.

As the budget process evolves and additional information becomes available over the next few months, the estimates and recommendations contained herein will be adjusted as required. You will then be able to make operating and capital budget adjustments as deemed advisable prior to Town Meeting.

The document presented for your consideration is a product of a great deal of work. Our department heads, second to none in the Commonwealth in terms of professional competence and dedication to their tasks, provided invaluable input and assistance. Members of boards and commissions also offered valuable assistance. In particular, I would like to thank the Select Board for its policy insights and leadership. I am most of all indebted to Julie Wayman, Budget Director, and Finance Director Alex Magee for producing this budget document. They deserve special recognition for the quality of the budget document and for the information and the data contained herein.

Respectfully submitted,

Sandy Pooler
Town Manager



Long Range Financial Projection

	FY 2023	FY 2024	Dollar Change	Percent Change	FY 2025	FY 2026	FY 2027	FY 2028
I REVENUE								
A. State Aid	25,221,523	28,125,135	2,903,612	11.51%	29,149,945	29,436,868	29,726,660	30,019,350
American Rescue Plan Act (ARPA)	5,000,000	5,000,000	0	0.00%	0	0	0	0
B. Local Receipts	9,225,900	9,855,994	630,094	6.83%	9,955,994	10,055,994	10,155,994	10,255,994
C. Free Cash	5,539,215	7,956,044	2,416,829	43.63%	5,107,562	5,107,562	5,107,562	5,107,562
D. Overlay Reserve Surplus	650,000	600,000	(50,000)	-7.69%	400,000	200,000	200,000	200,000
E. Property Tax	149,169,849	153,571,408	4,401,559	2.95%	157,655,259	161,811,650	165,880,544	170,151,067
F. Override Stabilization Fund	2,946,037	591,956	(2,354,081)	-79.91%	11,448,273	4,635,201	0	0
TOTAL REVENUES	197,752,524	205,700,537	7,948,013	4.02%	213,717,033	211,247,275	211,070,760	215,733,973
II APPROPRIATIONS								
A. One Time COVID impact	970,000	600,000	(370,000)	-38.14%	300,000			
School Additions	1,030,000	0	(1,030,000)					
General Education Costs	55,724,058	57,312,461	1,588,403	2.85%	60,316,257	62,815,383	64,930,766	67,046,272
Special Education Costs	28,103,511	30,070,757	1,967,246	7.00%	32,025,356	34,107,004	36,323,959	38,685,016
Growth Factor	(1,379,700)	964,116	2,343,816	-	374,934	(80,343)	(151,759)	(401,715)
Net School Budget	84,447,869	88,947,334	4,499,465	5.33%	93,016,547	96,842,044	101,102,966	105,329,573
Minuteman Operating & Capital	6,208,487	7,120,896	912,409	14.70%	7,370,127	7,628,081	7,895,064	8,171,391
Minuteman Exempt Capital	1,739,452	1,820,001	80,549	4.63%	1,820,001	1,820,001	1,820,001	1,820,001
Town Personnel	31,337,702	32,405,145	1,067,443	3.41%	33,458,312	34,545,707	35,668,442	36,827,666
Town Expenses	11,839,451	12,222,308	382,857	3.23%	12,619,533	13,029,668	13,453,132	13,890,359
Less Offsets:	(3,200,418)	(3,257,455)	(57,037)	1.78%	(3,363,322)	(3,472,630)	(3,585,490)	(3,702,018)
Net Town Budget	39,976,735	41,369,998	1,393,263	3.49%	42,714,523	44,102,745	45,536,084	47,016,007
MWRA Debt Shift	0	0	0	0.00%	0	0	0	0
B. Capital budget								
Exempt Debt Service	12,129,702	12,028,956	(100,746)	-0.83%	11,917,651	11,824,004	11,586,563	11,494,904
Non-Exempt Service	7,071,174	7,154,944	83,770	1.18%	6,623,138	6,354,779	5,918,157	5,707,966
Cash	3,426,277	3,933,856	507,579	14.81%	4,264,027	4,032,788	4,197,830	4,319,958
Offets/Capital Carry Forward	(677,260)	(736,989)	(59,729)	8.82%	(238,298)	(214,974)	(193,768)	(192,768)
Total Capital	21,949,893	22,380,767	430,874	1.96%	22,566,518	21,996,597	21,508,782	21,330,060
C. Pensions	13,367,833	14,133,735	765,902	5.73%	14,911,090	15,731,200	16,596,416	17,509,219
D. Insurance	21,772,313	22,077,822	305,509	1.40%	23,318,591	24,524,756	25,777,103	27,034,248
E. State Assessments	3,911,830	3,986,967	75,137	1.92%	4,083,890	4,183,235	4,285,065	4,389,440
G. Overlay Reserve	1,314,746	600,000	(714,746)	-54.36%	600,000	600,000	600,000	600,000
H. Reserve Fund	1,753,178	1,900,782	147,604	8.42%	1,903,511	1,947,881	1,994,842	2,042,391
I. Crt Jdgmnts/Deficit/	0	100,000	100,000	-	100,000	100,000	100,000	100,000
J. Warrant Articles	1,310,188	1,262,235	(47,953)	-3.66%	1,312,235	1,262,235	1,312,235	1,262,235
K. Override Stabilization Fund	0	0	0	-	0	0	0	0
L TOTAL APPROPRIATIONS	197,752,524	205,700,537	7,948,013	4.02%	213,717,033	220,738,775	228,528,558	236,604,565
BALANCE	0	0			0	(9,491,500)	(17,457,798)	(20,870,592)



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